CFOs ROLE IS ON THE RISE

CFOs have a view far beyond finance- into risk management, investment and growth, social responsibility and employee engagement. Pg 4
THE CFO: BECOMING A STRATEGIC PARTNER

The world today is going through a phase of transformation and uncertainty. Economic turmoil, political instability, profound technological shifts, increased compliance requirements, investor expectations, climate change, demographic pressures, and perhaps above all, the lack of a clear road map drawn by our political and intellectual leaders to guide our decisions, make for uncertainty. The Indian economy has witnessed some volatile times in the recent past and as organizations in India continue to face challenges from macro-economic as well as industry perspective.

The role of CFOs has evolved from being a mere steward or operator in the traditional financial domain to more strategic and catalyst aspects. In order to deliver in such an environment, the spectrum of the CFO’s role has undergone a dramatic transformation. Besides his legacy role, the four dimensions that need more focus are RISE:

- Risk Management
- Investment & Growth
- Social Responsibility and
- Employee Engagement

Risk Management
Various sectors of the economy have experienced sudden and disruptive changes in their economic contours. For example, in the retail sector, organised retailers like Shoppers’ Stop and Big Bazaar are facing the heat from e-commerce players like Jabong, Snapdeal and Flipkart. Similarly, the price for a barrel of oil was around USD 110 at
the beginning of 2014 but dropped drastically to USD 55 by the end of the year. No one would have imagined that a new technology like fracking would change the game so radically and quickly for the existing players. Established players are being forced to rethink their business strategies in order to remain relevant and to retain their market positions.

Strong financial leadership in a VUCA (Volatile, Uncertain, Complex and Ambiguous) world is gaining importance. Because of these changes, it is becoming increasingly difficult to design policies and drive coherent decision-making. This is why Risk Management assumes significance like never before. It helps companies to navigate the challenges imposed by the complex environment thereby ensuring predictability of results and protection of a company’s assets and preventing exposure.

The CFO can play a pivotal role in giving confidence to the CEO and the Board that the risks are being effectively and proactively managed so that decisions can be taken by business leaders not only to prevent the downside of risk but also benefit from its upside.

Under the Companies Act of 2013 and the SEBI regulations, every company needs to have a mandatory framework for risk management. In the Essel Group, we not only ensure that a risk management framework is established in the listed entities but also in the unlisted entities like Essel Infraprojects. I strongly believe that risk management is one of the key tools in a CFO’s armour to preserve and grow stakeholder wealth.

Investment and Growth

In today’s world, with new players and new technology, disruption has become the buzzword. To cope with disruption and with volatile changes, companies need to stay ahead of the curve. Realising the importance and changing landscape of distribution and in order to reach a larger base of subscribers, we were the first to launch a DTH platform (DishTV) and an OTT platform (DittoTV). At Essel Infra, we are launching Smart Cities in various states and also investing in renewable energy like solar power as well as waste management and water management.

The CFO has options to achieve growth through either the organic or inorganic routes. At the same time, he has to be conscious and has to make business leaders aware of the sustainability as well as the cost at which that growth is being achieved. Businesses need to avoid the ‘land grab’ mentality and the CFO should partner with the CEO and the Board to focus on the most optimal growth option.

Social Responsibility

It is imperative today for companies to consider the impact of businesses on the environment and society at large. Businesses are expected to focus on inclusive growth. The CFO plays a crucial role in helping the business deliver a ‘Triple Bottom line’ - Financial, Environmental, and Social.

Sustainable Development and Business Responsibility Reporting (BRR) are becoming integral parts of the CFO’s reporting responsibilities. CFOs are increasingly getting involved in the management, monitoring and measurement of the company’s sustainability activities as they add to the brand value of a corporate.

At the Essel Group, we have been increasingly focused on driving CSR initiatives in all our Group companies such as Dish TV’s ‘Aparajita for the Girl Child’, ZEE’s ‘Ekal Vidyalya’, Bone Marrow donation drive and TALEEM foundation. The CFOs are actively involved in these initiatives so that they not only achieve the desired result but also result in the development of the brand. Considering the impact of CSR activities on businesses, CFOs can no longer remain isolated from such initiatives. Hence, I believe it is imperative for CFOs to embrace this critical function.

Employee Engagement

Employees are often the determining factors between successful companies and ones that never reach their potential. Improving employee engagement is no more a soft and fuzzy concept. It’s more relevant now than before that CFOs understand how employee engagement impacts the financial outcomes and business risks. The Service sector has been growing rapidly, especially in Media and IT, wherein employees constitute the largest component of resources. CFOs are uniquely positioned to contribute to fulfill objectives of their executives, the Board and the Company for enhancing employee engagement.

Higher engagement leads to higher customer advocacy, productivity and profitability. CFOs can help the businesses through various tools to undertake decisions based on facts and data. At the same time, there is also a risk in investing in employee engagement (collaboration tools, skills training programs, performance linked incentives etc.) and not reaping the benefits. I feel that the CFO needs to work closely with HR and devise a fact-driven, robust and rigorous system, right from recruitment to performance management.

In the coming years, we can expect the role of the CFO to become more challenging as they deal with changing global scenarios, varying consumer demand and increasing pressure to maintain margins and grow profitability.

(The opinions expressed in this article are the author’s own)